



Issue Brief
Value-Added Ag Subfund
Governor's Office of Economic Development

Synopsis: The Governor's Office of Economic Development has implemented a new program to provide financing for value-added agriculture projects. Since it began less than a year ago, the program has funded projects to add value in the lamb, wheat, hay, poultry, dairy and soybean markets.

Introduction and Background

During the 1999 Legislative Session, Senate Bill 5 was introduced and passed to help boost value added agriculture in South Dakota. The Governor's Office of Economic Development implemented the new program in July 1999.

The new program, known as the Value-Added Agriculture Subfund (VASF), provides financing for projects which produce, use, or process any form of agriculture commodity, product, or by-product in the state. Research and development projects and feasibility studies for value-added projects are included.

Agriculture producers, producer groups or agri-businesses are eligible to apply for grants or loans from the VASF.

VASF Funding

Senate Bill 5 included over \$3 million to fund the new program. The VASF was capitalized with \$3 million from the state REDI fund and approximately \$400,000 from unclaimed off-road motor fuel tax refunds.

While the money from the REDI fund is one-time money, the 3¢ of each gallon of off-road motor fuel tax funding for the VASF now goes to the new program each year.

The VASF is part of a comprehensive approach to promoting agricultural development. The GOED has hired two agriculture development staff positions and has implemented a marketing plan to recruit value-added agriculture processing facilities to SD.

Program Rules

The VASF is modeled after North Dakota's Agricultural Products Utilization Commission (APUC) Fund.

With input from agricultural groups and legislators, the rules to implement the new program were written and adapted to fit the needs of South Dakota agriculture.

The final rules adopted by the state Board of Economic Development reflect the definitions from North Dakota's APUC fund, together with South Dakota's REDI fund process.

Highlights of the program's rules include:

- Any for-profit business, nonprofit cooperative or group that forms an eligible legal entity may apply for a loan or grant from the subfund.
- Grants or loans cannot exceed more than 50 percent of the total project costs for marketing or feasibility study expenses.

- Applicant must provide equity contribution of at least 10 percent of the total project cost for marketing or feasibility study expenses.
- Applications can be submitted at any time. Reviews of applications will be done as they arrive.
- The staff of the GOED will screen all applications for completeness and eligibility requirements.
- The GOED will present the application to the Board of Economic Development within 30 days of receiving it.
- Grant or loan proceeds may be used for salaries, consultant contracts, supplies and necessary services for feasibility or marketing studies.
- The maturity of a loan may not be more than five years with regular payments amortized over not more than 20 years.
- To help sustain the subfund, grants may be repayable if proposal results in successful value-added ag business.

Approved VASF Projects

The Platte Lamb Kill & Chill Plant - \$7,800 American Livestock and Grain Inc., Platte

This project will look at establishing a 300-600 head/day lamb kill and chill plant with the potential to expand to processing carcasses into oven-ready cuts of lamb.

SD Wheat Flour Mill - Markets and Transportation - \$50,000

This project will determine transportation issues and locate markets for South Dakota produced wheat. This study will identify a market, preferably a niche market, to allow South Dakota wheat producers to form a closed

cooperative flourmill specializing in identity preserved (IP) wheat.

Meadow Land Hay and Feed Company, Yankton - \$14,965

This project involves examining the markets for a specialized hay product for the suburban horse market. The company currently has a plant in Meckling that uses large bales of locally produced prairie hay and alfalfa and combines them with various additives to produce a small bale with a guaranteed protein level.

Dakota Layers Cooperative, Flandreau - \$8,000

This project will determine the economic feasibility of developing a 750,000 hen egg-laying operation to produce more than a half million eggs daily, as well as use 650,000 bushels of corn and tons of soybean meal annually.

Leola Cooperative Dairy, Leola - \$15,000

This project will examine the feasibility of starting a 1,200 - 1,400 head dairy in the Leola area. It would provide an additional market for local feed and another in-state source for milk processors.

The Soybean Store, Elkton - \$19,000

This project involves conducting a study to identify current and potential customers and how best to target them. This project is unique because it is marketing South Dakota soy-based products over the Internet.

Currently the Soybean Store is marketing food grade organic soybeans, textured vegetable protein, soy milk, soy lotion, soy crayons, soy candles, soy butter, soy protein bars, soy nuts and a soy hand cleaner.

Additional Resources

Governor's Office of Economic
Development:
<http://www.sdgreatprofits.com/>

Value Added Ag Subfund -- including fund
application and guidelines for feasibility
studies and business plans:
<http://www.sdgreatprofits.com/busrecruit/agsubfund.htm>

VASF Administrative Rules -
<http://www.state.sd.us/state/legis/lrc/rules/6802.htm>

REDI Fund -
<http://www.sdgreatprofits.com/finance/redi.htm>

North Dakota Agricultural Products
Utilization Commission -
<http://www.growingnd.com/brochure.html>

The Soybean Store:
<http://www.soybeanstore.com>

Contact

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